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# CONSTRUCTION READY WATER AND SEWER FUND FACT SHEET

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The Construction-Ready Water and Sewer Fund (CRWSF) program has been established to provide for the construction of community facility projects providing public water or sewer service to communities made up of at least 60% low- moderate- income (LMI) households.

Funding in the amount of \$1,000,000 has been reserved under the 2013 CDBG program for the CRWSF. Only localities that are eligible for Virginia non-entitlement CDBG funds, as identified in the 2013 CDBG Program Design, are eligible to receive CRWSF monies.

The intent of this fund is to assist localities that find themselves in an “except for” position, i.e., fully ready to provide service to an LMI community except for all or a portion of the construction funds. It is anticipated that these funds will be used in conjunction with other resources.

## CRWSF ELIGIBILITY

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Proposals that meet the eligibility thresholds will be accepted on an open basis from January 1, 2013 to September 30, 2013. The total amount made available is included in the total of active CDBG funds for the applicant locality. These funds may not be used to supplement or leverage other CDBG funds. At the time of application for CRWSF:

- Income surveys and user agreements one year old or less must document eligibility and community demand;
- All engineering work, up to and including necessary approvals of final design, must be complete;
- All necessary acquisitions must be complete;
- Public hearings and the Environmental Review Record must be complete, including all the publications and comment periods.

Other conditions of the CRWSF follow:

- No more than \$12,500 of CDBG funds per household served will be made available.
- No single grant under the CRWSF will exceed \$500,000.
- These funds are available for construction and allowable administrative expenses only.

- It is anticipated that these funds will be used in conjunction with other resources. CDBG funds cannot account for more than 75% of the construction cost of the project.
- The pre-contract phase is limited to 60 days and will include required actions by the locality's governing body, bidding construction and selecting (but not executing a contract with) a contractor.
- The project must be able to be completed within one year, and
- The grantee is not eligible for the 10% administrative bonus for timely completion.

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### CDBG COMMUNITY FACILITY GUIDELINES

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CDBG assistance for community facilities is targeted to projects involving water and wastewater improvements, particularly those involving new services to low- and moderate-income persons.

An applicant undertaking a water and sewer project is required to address the indoor plumbing needs of project area residents. Benefit to a particular household will not be accepted unless the unit currently has or will be provided with indoor plumbing facilities. Housing units receiving indoor plumbing facilities must also meet DHCD Housing Quality Standards. CDBG funding may be used to improve these units to standard condition. CDBG participation in indoor plumbing or related housing activities shall not exceed 15 percent of the total amount requested.

Water or sewer service funded in part by CDBG must be made available to any house within the project area that is occupied by an LMI household located within 200' of the distribution (water) or collector (sewer) line provided the cost of installing said connection line does not exceed \$3,500. This service must be made available to said LMI household without cost to the household. This requirement does not apply to the monthly user fees based on the rates applicable to all customers.

Water meters are required for each customer that connects to the CDBG supported utility line. Mobile home park owners are generally considered a single customer.

The maximum CDBG investment for the installation or improvement of water or wastewater services under CRWSF may not exceed an average of \$12,500 per household. This maximum will be applied based on the actual number of residential units connected to the service.

LMI persons cannot be charged an access and/or connection fee to connect to facilities developed using CDBG funding and neither access nor connection fees are CDBG-eligible expenses. The actual physical costs of connections will be eligible for CDBG funding. To the extent feasible, public water service proposals must include a project design which accommodates appropriate fire protection measures in the project area.

The reasonableness of user charges will be considered in evaluating any revenue-producing project, particularly water and sewer projects. DHCD reserves the right to reduce in a

proportional manner grant requests from applicants where utility rates charged by an entity are below the state average.

For projects which extend utility lines from one jurisdiction to another, utility rates must be the same throughout the CDBG project area unless it can be documented that the locality which owns or is served by the CDBG-supported utility line is subsidizing water rates with its general fund. In such cases a disparity in rates may exist between the involved localities. However, in no case can “out-of-town” rates exceed one-and-a-half (1½) times the “in-town” rates.

CDBG funds will not be invested in systems that can or will provide redundancy to a customer base that would be more efficiently served by another entity. Instead, it is expected that jurisdictions will cooperate to identify the best possible system and entity for providing service to a specified customer base.

Project needs in CRWSF projects must have been determined through surveys of project area residents and through the gathering of documentation from regulatory and other agencies. The demand for services must be established through obtaining signed user agreements from the proposed beneficiaries or documenting a local mandatory hook-up policy and its history of enforcement.

A locality should obtain signed user agreements that state the commitment to use the new system prior to the submission of a proposal. These must be ACTUAL users and not just the availability of the new service. Of the ACTUAL users, at least 60 percent must be low- to moderate- income under the CRWSF.

CDBG assistance cannot be used to exclusively fund the cost of service lines (i.e., lines that run from the house to the water distribution or wastewater collection lines). Service lines are an eligible CDBG expenditure provided it is appropriately proportional to the expenditures on other features of the project.

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## PRELIMINARY ENGINEERING REPORTS

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Project activities are established through completion of preliminary engineering work. If a PER was completed, at least three copies of it must accompany the community facility proposal. If Virginia Department of Health (VDH) and/or Department of Environmental Quality (DEQ) approval is required for a project’s plans and specifications, the project PER must be submitted prior to submission of the project proposal to DHCD.

A PER includes information on existing conditions pertaining to one or more infrastructure elements, design alternatives for improvements to existing conditions including costs, and a recommendation for selection of one of the alternatives including justification for the recommendation. Please note, PER costs do not count as leverage on a project. Additional guidance on what a Preliminary Engineering Report should contain is as follows:

1. A description of the area to be served.

- a. Boundaries
  - b. Major obstacles
  - c. Elevations
  - d. Need for facility
  - e. Map/sketches/photos
  - f. Number of persons to be served
  - g. Growth areas and population trends
2. A description of the existing facilities.
  - a. Conditions
  - b. Suitability of continued use, if applicable
  - c. Number of persons currently being served
  - d. Plant capacity(ies)
3. A description of design alternatives considered.
  - a. Recommended course of action.
  - b. Justification for the recommended alternative.
  - c. Advantages and disadvantages of differing alternatives.
4. A general description of the proposed facility, including design criteria adopted.
  - a. Location of land and acreage/alternative sites
  - b. Permits required – rights-of-way, State Health or other agencies
  - c. If water facility: treatment, storage, pressure, distribution
  - d. If sewer facility: collection system, treatment system
5. Up-to-date estimated cost for development and construction.
  - a. Legal
  - b. Engineering
  - c. Plant and equipment
  - d. Operations and maintenance
6. Description of any construction constraints.
  - a. Subsurface rock
  - b. High water table
  - c. Others that might affect construction
7. Describe any addition studies or evaluations which need to be done prior to project design and/or construction.

A User Agreement documents the willingness of probable beneficiaries to connect to water or sewer service once such service is made available. This agreement should be explicit about the cost of such service to the beneficiaries. An applicant should strive to have signed user agreements from 80% of the total households to be served stating their commitment to use the new system. The locality must obtain these user agreements prior to the submission of a proposal. Of the total households in the project area, the percentage must be ACTUAL users (not just have availability of new service). Of the ACTUAL users, at least 60 percent must be low- to moderate- income. Sample User Agreements are included as a separate file.

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### PROVISION OF LMI BENEFIT

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In projects involving the provision of water or sewer to privately-owned, multi-tenant properties as a contributing factor towards meeting the required LMI benefit, CDBG assistance will be eligible for expenditure on those features of the project which provide substantial benefit to current LMI tenants. DHCD will safeguard the provision of benefits to current LMI tenants as follows:

1. CDBG funding will be provided to match current LMI needs

Property owners will be prohibited from creating additional tenant spaces which would dilute a project's LMI benefit. Assistance may be prorated to oversized service or distribution lines. Participation in pump stations, storage tanks, or other features will also be dependent upon the level of LMI benefit in the project.

2. Savings produced by the CDBG investment must translate to direct LMI benefit.

Generally, each LMI unit receiving services must be individually metered with billing being a responsibility of a local public agency. No private property owners may charge LMI tenants a connection fee or a surcharge on service usage.

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### DISTRIBUTION METHODOLOGY

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Eligibility under this Program is subject to the following minimum criteria:

- Funding is reserved for projects providing water or sewer service to communities made up of at least 60% low- to moderate- income households.
- At the time of application all engineering work, up to and including necessary approvals of final design, must be complete.

- No more than \$10,000 of CDBG funds per household served will be made available, with no single grant exceeding \$500,000.
- The project must be completed within one year.

Potential applicants are encouraged to contact DHCD prior to submission of a proposal. Contact information is as follows:

**Chris Thompson**  
**Policy Manager**  
**Chris.Thompson@dhcd.virginia.gov**  
**(804) 371-7056**

**Denise Ambrose**  
**Associate Director**  
**Denise.Ambrose@dhcd.virginia.gov**  
**(804) 371-7029**

**Virginia Department of Housing and Community Development**  
**600 East Main Street, Suite 300**  
**Richmond, Virginia 23219**  
**(804) 371-7061**  
**Fax (804) 371-7093**  
**711 TDD**  
**<http://www.dhcd.virginia.gov>**

## **SUBMISSION**

Please note applications are now accepted electronically through the Agency's Centralized Application and Management System (CAMS). To access CAMS, visit the website at [www.dhcd.virginia.gov](http://www.dhcd.virginia.gov) and click on the CAMS icon in the upper-right hand corner. You may then create a locality profile, add staff members, and access the CDBG Planning Grant program using the APPLY button.